

Notice of Funding Availability (NOFA)

**MULTIFAMILY HOUSING PROGRAM (MHP)
STUDENT HOUSING**

2004-2005

June 4, 2004

State of California
Department of Housing and
Community Development

2004-2005
NOTICE OF FUNDING AVAILABILITY (NOFA)
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**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
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**2004-2005
NOTICE OF FUNDING AVAILABILITY (NOFA)
MULTIFAMILY HOUSING PROGRAM
STUDENT HOUSING
June 4, 2004
Student Housing Funding: \$9.72 million**

PROGRAM DESCRIPTION**A. Introduction.**

The California Department of Housing and Community Development (hereinafter "HCD" or "Department") is announcing the availability of approximately \$9.72 million in funding for Student Housing under the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2002 (SB 1227), more specifically, section 53533(a)(1)(D) of the Health and Safety Code. **Applications will be accepted on an "over-the-counter" basis beginning on July 27, 2004.**

MHP is a streamlined, omnibus financing program for affordable multifamily housing developments. MHP was established by SB 1121, Statutes of 1999 (Alarcón), which created Chapter 6.7, commencing with Section 50675, of the Health and Safety Code. Applications submitted under this NOFA shall be governed by two sets of regulations (the MHP-specific Regulations and the Uniform Multifamily Regulations (UMR)), and the guidelines provided in this NOFA. The regulations are available on the HCD website at: <http://www.hcd.ca.gov/ca/mhp/>. All section references in this NOFA refer to the MHP regulation text unless otherwise noted. UMR section references refer to the Uniform Multifamily regulations. Applications submitted under this NOFA are also subject to the applicable statutory requirements (including those of Proposition 46 and SB 1227 of 2002).

B. Program Summary.

MHP provides low-interest loans to developers of affordable housing (see Sections F and G in this NOFA for detail regarding loan amounts and terms). Student Housing funds available under this NOFA may be used for student rental housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures.

MHP Student Housing loan amounts must be matched on a one-for-one basis from private sources (e.g., conventional and bond financing) or by the University of California (UC) or by California State University (CSU). HCD expects MHP funds to be leveraged with other resources, including local government funds, tax-exempt bond financing and private debt financing.

These Student Housing funds made available under Housing and Emergency Shelter Trust Fund Act of 2002 shall be allocated with consideration to a point scoring system that includes priority scoring points (see Section N) for eligible projects located on lands owned by UC or CSU. A secondary level of priority scoring points (see Section N) will be allowed for eligible projects located within one mile of a UC or CSU campus that is suffering from a severe shortage of housing and limited availability of developable land as determined by the Department in consultation with either the University of California, Office of the President, Business and Finance Office or California State University Office of the Chancellor, Finance and Treasury Office.

C. Eligible Project Sponsors.

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided that they or their principals have successfully developed at least one affordable housing project.

Sponsors must have site control in the name of the Sponsor or an entity controlled by the Sponsor as defined in the Uniform Multifamily Regulations (UMR) Section 8303.

D. Eligible Uses of Funds.

MHP Student Housing funds will be provided as permanent financing only, and may be used to take out construction loans used to cover normal project development (capital) costs, as detailed in MHP Regulation Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308. MHP Student Housing funds must be associated with the costs of student housing rental units subject to a long-term MHP regulatory agreement with occupancy and rent restrictions.

E. Eligible Projects.

Projects must qualify as rental housing developments, as defined in UMR Section 8301, and meet the requirements of MHP Section 7302. They must have, among other things, five or more dwelling units. Eligible project activities include new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures. Acquisition and rehabilitation projects and rehabilitation projects must include rehabilitation work beyond that of a cosmetic nature as specified in MHP Regulation Section 7301(m) and defined in Section 50096 of the Health and Safety Code.

Projects are ineligible if construction has commenced as of the application due date (MHP Section 7302), or if the project is already fully funded. They must meet the feasibility standards described in UMR Section 8310.

F. Maximum Loan Amounts.

The maximum loan award per “restricted” unit shall be \$80,000. The MHP loan award shall not exceed 50 percent of the development cost of any unit. The maximum loan award per project shall be \$5,000,000. Should funding requests by eligible applications exceed the announced funding amount, the last application in line to receive funding may receive funding in an amount less than requested in the application.

G. Loan Terms and Security.

Loans will have 55-year terms, and bear simple interest at the rate of three percent per year. For the first 30 years, annual interest payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The payment amount for the next 25 years will be set by HCD in year 30, and will be the minimum amount necessary to cover HCD's monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term.

Cash flow remaining after payment of all debt service, Operating Expenses, required reserves and allowable deferred Developer Fee and Distributions per UMR Section 8312, and 8314 shall be applied toward repayment of the MHP loan. If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, including project-specific bond debt issued by the UC or CSU systems, and amortizing loans from institutional lenders and the federal government provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local loan is at least twice the amount of the Department's total assistance to the project, including both loans and grants. See MHP Section 7306 (e) and UMR Section 8315.

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to the Department. The term of a leasehold interest must be at least 90 years (65 years where the lessor is a public entity) from the date the MHP loan closes, excluding any unexercised lease extensions. If the MHP loan is secured by a leasehold, the owner of the fee and the borrower must sign a recordable lease rider approved by the Department. See UMR Section 8316 for other leasehold requirements.

H. Rent and Occupancy Limits.

MHP assisted units will be restricted in occupancy to households containing an individual enrolled as a student on a full-time basis at a UC or CSU campus. Students must obtain verification of their status from the specific UC or CSU educational institution they are attending. Full time status shall be determined by the school the student attends.

Qualifying income for MHP assisted units shall be at 60 percent of the Area Median Income (AMI) or less. Income eligibility will be established by verification of the combined income of the student and his or her family. Family income may be excluded in cases where the student is no longer a dependent of his or her parent(s). Where more than one eligible household (i.e., more than one student) occupies a unit, income eligibility will be determined for each eligible household. Sponsors may use income information provided to the University as the basis for determining eligibility.

MHP assisted unit rent will be restricted in accordance with the rents proposed by the project sponsor in their MHP Student Housing Application, with rents not exceeding the maximum rent levels specified in the table below and referencing the MHP 2003 Maximum Rents Chart located on the Department web site at: <http://www.hcd.ca.gov/ca/mhp/>.

Unit Configuration	Maximum Rent Level in Project County
Efficiency Unit	Rent shown for an efficiency unit at the 60% income level
One Bedroom	Rent shown for a one bedroom unit at the 60% income level
Two Bedroom	2 X the rent shown for an efficiency unit at the 40% income level
Three Bedroom	3 X the rent shown for an efficiency unit at the 30% income level

I. Developer Fees and Distribution Limitations.

Developer fees are limited in accordance with the schedule shown in UMR Sections 8312, and 8314. Distributions to the sponsor out of operating income (including payment of asset / partnership management fees) are also limited in accordance with UMR Sections 8312, and 8314.

J. Prevailing Wage Requirements.

Pursuant to Health & Safety Code section 50675.4 (c) (2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code section 1720 et seq.

K. Important Legal Matters.

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA provides a partial summary of the MHP statute and regulations. In the interest of brevity, it does not cover many aspects of those governing documents, some of which may be of critical importance to individual projects. For this reason, applicants are urged to carefully review the regulations and the information contained in this NOFA before submitting applications.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

APPLICATION PROCEDURES

L. Application Process.

The Application form will be available on the Department website on or about June 9, 2004. Applications for this funding round will be considered on an “**over-the-counter**” basis until available funds are exhausted. Applications will be accepted beginning at 8:00 A.M., Pacific Daylight Time, on July 27, 2004 and continue until 5:00 P.M., Pacific Daylight Time, June 30, 2005 or until such time before June 30, 2005 that the Department gives notice on the Department’s website it has received what it determines to be a sufficient number of applications to reasonably use all funds currently available. Applications will not be accepted after such notice. Any applications received prior to the notice that are deemed eligible for funding will be prioritized based on the Department’s date and time stamp of the application submittal.

Applications will be reviewed in the order in which they are received. The Department will endeavor to complete an initial staff review within 15 working days after receipt of the application. The initial staff review will include determinations of completeness, threshold eligibility issues, and initial point scores. Applications deemed not to be complete will receive no further review. As more particularly described in Section N below, projects must receive a

minimum point score of 60 points, as determined by HCD staff, in order to be considered for a funding award. Additionally, projects must score at least 4 points in the Development and Ownership Experience of the Project Sponsor point category and at least 5 points in the Project Readiness point category.

In the event multiple applications are received on the opening date (July 27, 2004) of the application submittal period, those applications will be deemed to have been submitted simultaneously. Should the combined funding requests of those applications exceed the funding amount announced in this NOFA, the Department will rate and rank those applications in accordance with the point scoring system specified in the application. The highest ranking applications will receive funding award recommendations until the announced funds are depleted.

Qualifying projects will move forward into a feasibility review. Qualified projects, successfully passing all reviews will be scheduled for presentation to HCD's Local Assistance Loan and Grant Committee (the "Committee") each month beginning in September 2004. The Department will endeavor to schedule the qualifying applications for presentation before the Committee within 60 days after receipt of the last item required for review. The Department's date stamp on the last item required to complete the review will be used to determine the application submittal date and the order in which applications are presented to the Committee.

M. Application Forms and Contact Information.

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. A complete original application, plus one copy, must be received by the Department.

To receive an application package, please visit HCD's web site on or about June 9, 2004, or contact Anne Gilroy at (916) 327-2886 or agilroy@hcd.ca.gov. Applications must be delivered to one of the following addresses:

U.S. Mail

Anne Gilroy
Department of Housing and Community
Development
Division of Community Affairs
P.O. Box 952054
Sacramento, CA 94252-2054

Private Carrier

Anne Gilroy
Department of Housing and Community
Development
Division of Community Affairs
1800 Third Street, Room 390-5
Sacramento, CA 95814

It is the applicant's responsibility to ensure that its application is clear, complete and accurate. After the application has been received, MHP staff may request clarifying information.

N. Application Point Scoring.

The criteria that will be used to score projects is derived from MHP Regulation Section 7320, and is summarized below.

Projects must receive a minimum point score of 60 points, as determined by HCD staff, in order to be considered for a funding award. Additionally, projects must score at least 4 points in the Development and Ownership Experience of the Project Sponsor category and at least 5 points in the Project Readiness category.

Criterion	Max. Points	
Extent the Project addresses the most serious student housing needs.	25	Projects located on lands owned by UC or CSU will receive the full 25 points. Projects located within one mile of a UC or CSU campus that is suffering from a severe shortage of housing and limited availability of developable land will receive 20 points. Projects not qualifying for the first or second priority will be subject to the MHP rating system for establishing housing need and may receive a maximum of 15 points (based, in part, on market vacancy rates) as specified in MHP Regulation Section 7320(b)(2).
Development and ownership experience of the Sponsor	20	See MHP Regulation Section 7320(b)(3)
Leverage of other funds.	20	See MHP Regulation Section 7320(b)(5)
Project readiness	15	Projects built on a UC or CSU Campus will be scored based on the project's ability to meet the requirements of UC or CSU as well as any applicable State and local requirements. All other projects will be scored based on the project's ability to meet State and local requirements (see MHP Regulation Section 7320(b)(6)).
Adaptive Reuse/Infill/Proximity to amenities	10	See MHP Regulation Section 7320(b)(7).
Total	90	

Tiebreaker.

In the event of tied point scores, the department shall rank tied applications based on the largest number of qualified households served per MHP dollar in the restricted units.

O. Disclosure of Application.

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosable to any person making a public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to the Department, the sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

Do not hesitate to contact the Department if you should have any questions regarding the NOFA, the application, the application process, or necessary documents at any time during the application preparation period.

Questions should be directed to Ben Dudek at (916) 445-6508, Mike Greenlaw at (916) 327-3630, or to other MHP program staff at (916) 323-3178. Thank you for your interest in the MHP Student Housing Program.

Sincerely,

William J. Pavão
Deputy Director